

**COMMITTEE ON ACCOUNTS, ENROLLMENT & REVENUE
ADMINISTRATION**

April 7, 2003

4:30 PM

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Guinta (late), Smith, Lopez

Absent: Alderman Thibault

Chairman Shea addressed Item 3 of the agenda:

Discussion with various departments regarding CIP account bond balances.

Chairman Shea stated we will have Sam Maranto from CIP update us on the CIP.

Mr. Maranto replied he would entertain any questions from the Committee at this time.

Joanne Shaffer stated I think the intent basically was to bring this to the attention of all of the Aldermen and also all of the departments who happen to have balances remaining for some of these previous appropriations, so that this money could get expended, or if it wasn't committed at this time, so they could be re-appropriated for another project. And I think what brought this to light was that the City has recently been audited by the IRS for a 1993 bond issue and I'm not sure that the Aldermen got the email that I sent around to the departments, but if the balances...if there are outstanding balances remaining for a long period of time, the City gets penalized for retaining those balances. The object of the game is when you appropriate for an authorization of this nature you spend the money usually within three years. So as we went back through this audit, we noted there was still probably somewhere in the vicinity of \$750,000 left from projects for that duration. So we haven't been notified what our penalty is yet at this point, but that will probably be happening over the course of the next 30 days. But in the meantime we thought it was important to bring this to the Committee's attention.

Chairman Shea stated Alderman O'Neil if you want to join us up front because maybe we'll have, when you're finished of course, you might have some questions and we may be referring some of this to the CIP Committee that would make the transition a little bit easier.

Ms. Shaffer continued and I think that generally speaking because of the fact that these balances have been brought to our attention we thought that we would bring it to the attention of the Committee on Accounts so that then if it was construed something that the Committee wanted to do they could refer it to the CIP Committee with consideration and a recommendations from the Finance Department as to what rules we need to conform to, to conform to the IRS regulations.

Alderman Lopez stated there's a couple that I'm interested in. I guess 1997 central fire's got \$24,000 in there, 324496, I'd like to know what the status is of that Sam or the Fire Department?

Ms. Shaffer responded we don't know the status currently of some of these projects.

Alderman Lopez stated well the department head is here...the representative.

Ms. Shaffer stated if in fact that project has been completed and they want to utilize this money or you want to utilize it on another project of a similar life expectancy, it would have to go back before the Board of Mayor and Aldermen to be re-appropriated. Alderman Lopez replied I realize that. I thought that we were going to do all this and coordinate with all the departments and get a written as to the status of whether or not they're going to comply with the IRS for the finances. I mean the last time we were here this is what was supposed to happen. Now are you telling me this hasn't happened?

Ms. Shaffer replied no not everybody has gotten together to discuss any of these things at this point.

Alderman Lopez stated well that's what the special meeting...Kevin you were here, you're the one that set up this meeting with the Chairman I know that and we're going...how are we going to make a decision what to send to the CIP.

Kevin Clougherty stated my recollection of the purpose of the meeting was to get the department heads here so we could explain what the situation was. We haven't had time since the last meeting to have them come back and do the verification Alderman. So what we were looking for was some direction as to how the Committee wants to handle this with the CIP Committee so that we don't have a lot of the departments going across purposes. So if we could get some direction today...if the direction of

the Committee is if you'd like us to get a written response from all the departments in terms of what the current status is of all of each these bond balances, we can do that. Chairman Shea stated may I inject. If in fact there are certain department heads here today and they're going to answer as to what...that would be fine. If there are other department head who were invited but have decided not to show up, its obvious that that money then, which is here, would probably not be needed or they don't think it's needed, they don't know it exists so therefore it's up to the board...our Committee I believe to refer all of those matters to the CIP Committee, have a joint meeting and then decide as to what we're going to do with that. I believe that would be in essence a logical kind of solution.

Mr. Clougherty stated the purpose for today's meeting was for the departments to come in and to respond to the list and give you some type of update as to where they thought they were. To the extent that there are departments here that want to comment on that it would be appropriate and we could go from there.

Alderman Lopez stated I'm interested in transferring some of this money as indicated to CIP and reallocated because there's many other projects. If we can just look at this in a 1997 older bonds and 1998 and 1999, which is over three years old, there is some money in there and some of the department heads...for an example, let's pick one out here to see where the department head is going to go here. He has 324496, which is central fire renovation since 1997 and has \$24,554 left in there. Can you give us a situation as to why this money hasn't been spent?

Mr. Clougherty asked can we just pass around and let the departments come up and tell us.

Alderman Lopez replied absolutely.

Brent Lemire stated at the time that the project, the central fire station renovations were done, this money was earmarked to go towards renovations in the fire prevention bureau, but the problem was there wasn't enough money to complete those, so they've been studying and I know that the department head, Chief Kane, at this point was interested in seeing if there was any way to put the money towards the security system now with the terrorism of late. And I believe that he's interested in requesting that at this point, but again, originally when the project was complete that was a left over balance because there was enough to finish the bureau area.

Alderman Lopez asked so Kevin as the finance officer if I was to say let's transfer this over to CIP, and let them bring in a special request for a new allocation, would that be appropriate or would you continue carrying this on the books.

Mr. Clougherty replied no the purpose of our reporting to the Committee on Accounts is to first of all verify what the departments that there is a balance there which Brent has said there is a balance. Now my understanding would be that's up to the CIP Committee to decide what's the appropriate use of those funds and to reallocate them as soon as possible and that would have to go to the full board for an action. Because all bond balances have to go to the board. But we're just trying to verify are there any of these balances that a department, what we thought was if the departments came in today and said this sheet is wrong, all these balances don't exist, but I think what we're seeing from the group here the balances probably are the correct numbers. Now the next step would be to get in writing a verification from them so you weren't at the meeting we want to verify that, and then forward that to the CIP Committee.

Chairman Shea stated the question came up by Alderman Guinta, he's saying do we have the authority to transfer the money to the CIP and the answer of course is, we can have a discussion but I don't think it's within our purview to transfer this money. Mr. Clougherty replied it's not that it's transferred to the CIP, it's already in the CIP. The CIP is already...and it's not so much the CIP as it's the full board has already approved these projects for these purposes and we're saying there's no balances here. And there may be legitimate reasons why the departments have balances, but they've been going on for years. So the next step would really be I think to, for this committee to send this report, once we get it verified by the departments, to the CIP Committee and the CIP would decide what is the appropriate action to take in reallocating these dollars and getting them spent faster and getting that up to the board.

Chairman Shea stated before a motion is taken I do respect the fact that other department heads have taken this opportunity to come before us and maybe we could ask some of the others. Kevin do you want to...Kevin Sheppard, from the highway.

Kevin Sheppard asked I don't know if you want to start back in the '97 and older and work forward or...

Chairman Shea replied that's fine.

Mr. Sheppard stated our numbers are...if you look under the department number, highway department is 500 and building maintenance is actually 210. If you start at the bottom we've got two, for the sanitary landfill, as you know that project is currently under way. The 370794 is a bond balance that we haven't really touched, although it is included in our estimated costs for landfill closure. The 370795 is a number we've been working off paying all the bills for the landfill closure. We expect that project to be completed this summer, this fall. So we do anticipate some balance in that project but until that time, we would anticipate not touching that money.

Alderman Lopez asked Kevin just so we understand this OK? Whereby that bond and they have not used any money out of there \$255,000, if they don't continue to use money out of there, you're going to be penalized? That's what I'm hearing.

Mr. Clougherty replied what happens is the IRS doesn't want you borrowing money and sitting on it for a long period of time because you're earning interest on that. When you borrow money you've got three-year basically to expend it. If you haven't expended it in that period of time, then they'll assess an arbitrage penalty. The arbitrage penalty we can explain to you at another meeting but it's not uncomplicated but it's based on the size of the projects and timing and some of those issues. So that's what our concern is, is that it cost you more to do these projects if you don't spend the money in a timely fashion.

Alderman Lopez stated OK, understanding that, now back to Kevin (Sheppard). You're not using this money. Out to what year do you plan on using it, or justification...

Mr. Sheppard responded its money that's left...I'm leaving to the end of our project. I haven't planned on...I'm hoping that that will actually be a balance in this project. I don't anticipate needing that money but it was part of the original \$13.1 million we expected for both phases of the landfill closure. We anticipated utilizing that money. We've had some savings as far as that project, the bids actually came in fairly well on that project, but we haven't said that that money's extra because we want to get that project closed before we can submit any of those balances.

Ms. Shaffer added and this is where we want to work with departments because if we have a dialogue with highway at this point to talk about this we could recommend that they use this money first because this money has already be amortized as we said and it's already 10 years in existence and so because this has been issued 10 years ago, we should be utilizing these funds first and then the rest of the sanitary landfill project is being paid for or funded through the SRF at the State level, then that would be used as the second phase for funding.

Mr. Sheppard stated this meeting is great for us because we haven't had this conversation with finance in the past regarding...and we typically try to spend the older bonds first. We work with Sam and finance and try to spend the older bonds first. In case we didn't do that, but you know it's typical that we don't have old bonds for the same projects. Those typically get spent.

Alderman Lopez stated just a follow up on my question here. Whereby yes you can use this money and you're going need money in the future, let's say two years, three years down the road, this is where we could use some of this money to bond some of the immediate priority projects right now, understanding that you might need X

number of dollars later on. So that's got to be worked out with the finance and CIP and planning.

Mr. Sheppard stated what we can do...you know, our thoughts were we'd come down and respond. I thought we were supposed to be coming down to respond to each one of these. What we could do is go back and do projections on each one of these projects. You know, like financing is requesting, do projections on these projects and do any anticipated balances or identify the projects if those projects or those monies may be utilized for.

Chairman Shea stated from a financial point of view, what we're trying to do is, we're trying to make sure that what we're able to spend in terms of resources that have been bonded already, we can do that without adding money to a present bonding for the 2004 CIP. So if we can find enough money, we can reduce the amount of money that we obviously have to tax people in the community for and I think that's part of this findings or research here.

Mr. Sheppard replied and I understand, that's probably a bad project for us to start on because it's typical for the highway when the project is complete we work with the CIP office and we close those projects. So it's not typical for us to leave projects open.

Alderman Smith asked Kevin I notice the last activity date was just a few days ago, so you've been utilizing some of those funds, haven't you? 3272003 on the same page last activity date.

Mr. Sheppard replied yes that's the SRF one that Joanne was talking about not the... Yes that's an active one. Do you want to move up the list?
Chairman Shea responded yes sure.

Mr. Sheppard stated under 1997 older you've got Wilson School. It shows a balance of \$13,000. It was our understanding, I guess and speaking to Barbara Connor, that that money had been transferred over to the Parkside project a while ago. So that's something we need to work with finance on to figure exactly where that money went, or if that money's really there. Underground storage tank replacement, the one right below that. That's a project we've kept balances in because the City sometimes runs into problems with underground storage tanks; i.e. 1037 – 1045 Elm Street when the City bought that building and redeveloped that. They came to us looking for money because they ran into an old underground tank there and without some type of balance or some type of project, we wouldn't have had any money to deal with a situation like that. It's almost like a contingency account, but again you know based on what we're learning here, it's probably not, like Kevin said, not the best use of those funds. You know it probably does make sense to maybe establish a new project, you know turn

this money over into a new project so that we don't have this old money sitting out there. And this is a great conversation. I think everyone can learn from this.

Alderman Guinta asked the balances on any projects that are no longer required, that money has to be used for a new project, or can we determine that that money can be used?

Ms. Shaffer replied usually if a project has been fully expended, in other words if the total amount that you have expended takes care or satisfies all of the project needs, then whatever balances as such as in these instances, that can come back before the Board of Mayor and Aldermen to be transferred to another project. And that usually goes through the CIP process.

Mr. Clougherty stated another project of the same life.

Alderman Guinta asked so we have to use the remaining money for another similar project.

Ms. Shaffer answered right.

Mr. Clougherty stated so if you've got another 20-year bond balance for another project that you've bonded for 20 years, you got a five year bond balance, that would be the same life.

Alderman Guinta asked can we use money to pay down other bonded projects?

Ms. Shaffer answered its not really practical to do that.
Alderman Guinta asked why not?

Ms. Shaffer responded bond council would recommend against it, because we can't go in and just pay down indiscriminately on a monthly basis or an annual basis. When we issue a bond we have what is called a call and usually your first call is at least five to ten years out from when you first issued the bond, so in some instances you would have to sit on that money prior to paying it off for approximately five to seven years depending on when the bonds are issued. So the best use of the money is to re-appropriate that so that it can be spent within a timely basis.

Mr. Clougherty interjected the problem we run into on that Alderman is, if you take the proceeds from a bond sale to pay down the debt early that raises a whole level of IRS questions. What they would rather have you do and what bond councils has advised as Joanne is saying is take those proceeds and use that to offset against other things that you would be appropriating for so your in a sense getting to the same place by not raising more debt, you're doing it on a cash basis.

Alderman Guinta stated OK so there's an IRS rule that says we can't use balance funds to pay off other debt? Is there is wiggle room there or? I mean there's got to be a way that we could pay down some debt.

Mr. Clougherty stated you're actually paying down the debt by not issuing more new debt.

Alderman Guinta stated the bond that we issued today, or what are the interest rates on bonds that were issued in '99? I mean are they higher or are they lower or are they the same, then a bond that we would issue today?

Mr. Clougherty responded most of our debt has been refinanced down to a point where we're...our debt is relatively low. Now I don't want to give you a definitive ruling Alderman, let me go back and check with him to make sure that there are no circumstances in which you could buy down, but generally the discussions we've had with bond council over the years to try and buy down debt early is that that's not a preferred approach and there are credit rating issues with that.

Alderman Guinta asked and you said its three years where the IRS is look for us to spend the money?

Mr. Clougherty responded the IRS wants to see us spend this money three years...you know there's some exceptions to that. Now obviously if you've got a court case or there's a thing that is related to that, that can extend those time periods too.

Alderman Guinta asked and at this point after the three-year mark, do we have a policy or a procedure in place by where a department head will voluntarily either explain to this committee or to the full board why there is a balance?

Ms. Shaffer replied that's part of why we're going through this exercise at this time. This is to bring it to the attention of this particular committee and then as we go forward into the CIP process together with the CIP Committee we would like to outline certain new rules that we would like to put into place that would ensure that this type of thing doesn't...

Alderman Guinta asked so up to this point we don't have any procedure in place.

Ms. Shaffer responded correct, we just send out reports, notify the departments of their balances but we didn't necessarily take an aggressive stance to follow up with them as to when that money would be expended.

Alderman Guinta stated and then a department head, if there's a balance and that project is completed, the department head does not have the authority to use that money in another capacity?

Mr. Clougherty and Ms. Shaffer answered no?

Chairman Shea stated just one point of clarification and I think that it should be brought out if a project has a 20-year period of time, then it's obvious that you cannot use certain fundings that will be of a certain duration. In other words, I think that was explained. Maybe you could explain a little about that either Joanne or Kevin.

Mr. Clougherty stated you try to match up with the life of the asset. Say if you've got a car that's typical life is going to be five years or less, where it's not...you don't want to borrow for 20 years to buy a car. So you try to match up with life. Whereas a building is going to have an excess of 20 years, so they try to...we've adopted as part of the CIP guidelines some criteria that restricts the life to certain projects that when Sam goes in and makes his recommendation he knows what those parameters are by year and that's what recommended to you in your start up forms and in your bond resolution.

Alderman Lopez stated I just got some big ones here that I need some dialogue. Hackett Hill, can anybody talk about that? The money that we have in there? You've got 1999 Hackett Hill, the biggest one is \$997,000, that 650300, 2000 project. 650300 Hackett Hill Development 997,210.08. I've got it on mine, let me double check here. Maybe they took it off. It didn't show up on this thing. I've got two different sheets here. OK what about the...let's go to the Riverwalk, river stadium or riverfront development. You got 510199, \$131,000 there and the riverfront development at 510100, \$333,000. One is 2000 bonds and the other one's '99 bonds.

Mr. Maranto responded there is a recommendation relative to utilizing those riverfront fundings. I do understand the Mayor had the recommendation relative to the riverfront balances to be used, as part of the CIP to take care of some projects that were requested. I guess we'll be bringing that up in the next meeting.

Alderman Lopez asked the CIP? Do you know what projects though?

Chairman Shea asked are they already projects that are on our CIP list or are they in addition to them Sam?

Mr. Maranto answered I believe it's in addition to some project and not because of the bonding constraints you might not get full funding and they would be added to.

Alderman Lopez asked that's in addition to what we've got, right?

Mr. Maranto replied right.

Alderman Lopez asked could you, maybe not you, but Ron Johnson maybe explain this Derryfield Park.

Chairman Shea stated maybe before Ron if I may, maybe we should kind of ask Kevin Sheppard to conclude if he's all set. Are you all set Kevin?

Mr. Sheppard responded I was wondering if maybe what Kevin and Joanne recommended was if we prepare a written response for each one of projects and maybe have a meeting with finance and the CIP group over at planning and then come back. Come back to a joint committee with the administration and CIP versus working through three of us at this point. You know we can do that and we'd be willing to do something like that.

Chairman Shea answered OK that would be fine. Now I think that there's was a question...

Mr. Clougherty asked Chairman is that something you wanted us to schedule, a joint meeting I the next couple of weeks and we can go through this?

Chairman Shea replied yes.

Alderman Lopez asked Ron I just wanted to get an update on this Derryfield. I know you've done a lot of work up there and we got some more money in the CIP coming up, I think from the other committee I'm on.

Ms. Shaffer stated Alderman Lopez if I may on that Derryfield Park rehab before Ron speaks. If you will note under the expense column the full amount has been expended. The \$150,000 that's outstanding is waiting for the bond proceeds to come in.

Alderman Lopez asked how much money have we spent on Derryfield Park right now? Do you know off hand?

Ron Johnson answered it's approximately \$320,000.

Alderman Lopez stated I've got one more question.

Chairman Shea asked you have one more question for Ron?

Alderman Lopez answered no.

Chairman Shea asked George you have...all right. Frank do you have any? No, OK.

Mr. Johnson asked do you want me to...I could just mention on one of the projects. It's 1997 project, it's the very last one on the list, riverfront stadium. Those funds, it's listed in our department, those funds were for the construction of Singer field back in '97 and that project has been closed for many years. We thought it had been closed out but it still shows up. It's a small balance, but that could be used and then I think the other projects that we have, have very small balances, the Pinegrove Cemetery under '99 bonds there's about approximately \$300. We're currently doing a master plan study, we could...that's going to be completed by June. We probably could tie up the rest of those funds. Then bumping up to the 2000 project, park improvement, I think we were waiting for that to be reconciled and we see there \$100 left, but that's a small amount. I think our other projects are 2003, they're ongoing projects right now so we have contracts with obligations or some design engineering funds that are going to be used.

Alderman Lopez stated I have one more. My favorite one, Diane Proulx. You spent a lot of money in the last year Diane, but you still got a lot of money left and I'm for the record it's 128898. 1998 bond project of \$300,000 remaining.

Diane Prew stated that bond covers our GIS project, our geographic information system and for the committee's information there's going to be a presentation tomorrow at CIP both by myself and Jason Brennan of Camp, Dresser and McKee who is doing the project for us. We are right in the middle of that right now. We're in the process of having the tax maps digitized, we're scheduling as soon as the snow leaves to have aerial photography taken, and then large majority of those funds will be used to digitize and update the City's base maps and information based on that aerial photography. So that we see the balance of that money being used up in this year. And I noticed on the sheet that it shows that there's no date for activity. There has been activity on that bond issue, I don't know if that...perhaps the item below it should be in that line because that 411898 we were under the impression that bond has been closed out a while ago.

Alderman Lopez stated very good, I just think that we need some work and Kevin's going to do the work and get the information and it's not to take the money away from you, if you got a project going, it's just working to make sure that like Joanne said this is the first time we've gone through this process to make sure people are spending or reallocating it for another project and then maybe down the road take care of your project. So I'm sure GIS is very important and we've talked about that before, but this is a very good start Mr. Chairman.

Chairman Shea stated one question that I have has to do Sam with 1037 Elm Street rehab, there's a substantial amount left and that obviously would be something that could be utilized I believe.

Mr. Maranto replied correct. Again I had mentioned a recommendation by the Mayor that 510110, the river walk project, was part of his recommendation to fund some CIP requests. Unfortunately the difference...I can't see the projects that we may be going through but some part of this...I know we were looking for funding for it included some work at Hallsville perhaps at Memorial but not...

Chairman Shea asked any questions of anyone else that's present here regarding... So I think that maybe I would entertain a motion that somebody could make, that we would have a joint meeting with the CIP Committee at a date that is acceptable to both Chairman O'Neil as well as members of this Committee. So we could refer this material to the CIP Committee and have a joint meeting. I'll entertain a motion to that effect.

Alderman Lopez asked can I just add one thing. Written reports from the department heads be made, otherwise it's gone.

On a motion of Alderman Smith, duly seconded by Alderman Lopez, it was voted to refer this material to the CIP Committee and have a joint meeting with the CIP Committee and the Committee on Accounts.

Chairman Shea addressed Item 4 of the agenda:

Discussion with Finance regarding revenue forecast.

Mr. Clougherty stated I'm going to let Joanne start this because she did a lot of the numbers on it.

Ms. Shaffer stated I think at the last Committee on Accounts meeting we originally presented the position that we thought most of these revenues would end the year with and of course when you know that there's going to be a shortfall or a deficiency I think it brings a lot of questions and makes us that much more vigilant and...of the forthcoming revenues for the ensuing portion of that year. So we did say that we would put together an update as soon as the end of March was over so we could bring you updated figures and so that we could discern the status of the revenues as we have projected them as of the year end which is at June 30th. And I think that we have found that we have gained a little ground over the past month. I think most of the large numbers that we have originally projected that the revenues will be short, for example cable fees, income from invested funds and the ones that are listed on the letter that you got. Those are still basically tracking in that same basic line and we've seen no dangers that are indicative anything positive to come of those anticipated shortfalls. However, we still do have three months to do. We do know the spring season is going to be coming, although it's been terribly delayed at this point and

maybe that will bring out some of the masses to do some of the building repairs or buy some of the new cars that we're hoping that they would have gotten. However, at this point even in the month of March that the auto registration number was down for that particular month. So that doesn't leave us a lot of optimism there, but as we said as soon as maybe the sun comes out and we have a spring fever day, maybe that will bring some of those people out to buy cars, obviously so we can get the registration fees. In addition to that, I think we're still going to be monitoring all of these numbers with all of the departments in case there were any significant changes in the trends as they develop between now and year-end. I realize we're only 2 ½ months away from the end of the year at this point, but we'll keep the committee abreast of any changes that there will be forthcoming. Now if you have any specific questions about any of these revenues, we'd be happy to address them.

Alderman Smith asked on the cable TV fee, so forth that's the City Clerk's office page 3? That's quite a shortfall.

Ms. Shaffer replied basically I think when the budget was put together for this particular number last year it was based on actuals that had been received in the previous fiscal year, however, there was a change in one of the FCC laws and the City is only able to get a percentage of the actual cable fee provision service. Previous to that we were getting revenues...a franchise fee was calculated on home advertising, home shopping. Once this law changed we were no longer to derive the five percent on those particular cable revenues. So this is the deficiency that we have realized in that regard.

Mr. Clougherty stated I think when the board made it's estimate we understood that there were some legislation going on but there were hopes that perhaps that wouldn't pass and that we would be able to continue the same revenue pattern that we had received, but that's not what ensued and there was a change and we're seeing that now.

Alderman Smith asked for a follow up. I'm just trying to pick around. I notice our investment funds naturally because of the economy is quite well down. You know you're talking...

Ms. Shaffer replied our investment yield is probably 85 percent below what it was a couple of years ago. So though we have sufficient cash to fund our operations there's just no earnings capability.

Alderman Smith asked just a follow up if you may, I'm just picking this apart. School charge back, page 11. These are quite enormous figures here and if we're looking for a shortfall in the revenue it's just like not selling the parking garages and so forth, it mounts on our previous budget.

Ms. Shaffer replied yes. This particular page that we're looking at, this is public building services charge back number, and I think that they're stating as you can see that at the end of the year they're probably going to be \$108,000 shy of what they anticipated.

Mr. Clougherty added I'm not sure if public buildings numbers, I don't have it in front of me Alderman, there's also that question about the DARE program and police had expected as part of the school charge backs that they were going to get some money for DARE, the school district decided that that wasn't something that they wanted to contract with. We've gone to a much better arrangement with the school district where they actually purchase services up front in a very specific format, other than what had been done in the past. And police made the decision that they thought that was something that they should continue that service but you're not going to get that revenue from the school district. So I think that might be part of that number too.

Alderman Smith stated I'm not trying to justify our budget last year but I can see the problems though when it was funded, the problems we have here, probably the budget would have been ahead of schedule really.

Mr. Clougherty responded right.

Chairman Shea asked any other questions?

Alderman Guinta asked are we still at \$2.1 million?

Ms. Shaffer replied right now we're at \$1.6. We did gain slightly over the course of the last month, mostly on other miscellaneous revenues. For example, like interest on taxes and so forth, you realized some extra dollars in some of those particular revenue sources that were over and above what we had originally projected. And as we say, as things occur on a monthly basis, we talked to some of the administering departments and determined whether or not they see that as a one time type of thing, or if those revenues will continue to come in on a monthly basis through fiscal year end.

Alderman Guinta asked is it fair to say that in the next month we'll be at \$1.1 and then the month after that we'll be another...

Ms. Shaffer replied I think as we go into the last quarter of the fiscal year and realizing that building permits and auto registrations are our two best performers over that period of time. I think that's what the big variable is now, because of the late spring, because of the war, I think because of the fact that your consumer confidence is down, unemployment is up, something is going to have to rebound here and I think it's all dependent on the circumstances.

Mr. Clougherty stated I think there's a potential for that Alderman, but certainly for all the reasons Joanne just laid out, we can't guarantee that. And if we don't make that number, we're still optimistic looking at the expense side, which we haven't provided a forecast but we're still tracking well on the expense side in terms of what we think the departments will give back to offset against a smaller number here. So when we were in before, the committee the last time we felt even with the higher chart fall in revenue we could still cover that through operational savings on the expense side in the departments. We still think that's the case even with this smaller number that's...we still feel better about that.

Alderman Guinta asked how much is the carryover in the Mayor's budget for next year?

Mr. Clougherty replied the carryover...you mean fund balance?

Alderman Guinta answered yes.

Mr. Clougherty replied the fund balance in the Mayor's balance has a couple of items that I think we have to consider. One is the treatment of the deficit on the school side Alderman. Remember when we listed out the \$14 million problem part of that was to pay up the deficit, well if there's a million three surplus, for lack of a better term, in the school district budget this year, that helps and eliminates the amount that we have to cover on our side, so that's a big part of what helps us generate more fund balances as part of his budget forecast.

Alderman Guinta asked do we have an anticipated fund balance figure at this point? Or an expected...I mean...

Mr. Clougherty answered yes; I don't have it in front of me though. Give me a second because Randy ran that number for the Mayor the other day and as soon as he comes out he could tell you.

Alderman Guinta stated that number comes from...

Mr. Clougherty continued Randy what was the Mayor's carryover...what did the Mayor include for fund balance in his budget?

Mr. Sherman replied somewhere around \$628,000.

Mr. Clougherty stated and where it's a million and a half...and that's right because half of it has to go to the tax stabilization.

Alderman Guinta asked so the number was \$1.2...so \$1.3.

Mr. Sherman answered exactly.
Alderman Guinta asked where does that money come from?

Mr. Sherman asked how did we end up with the surplus?

Alderman Guinta replied yes.

Mr. Sherman stated you end up with the surplus in generally two ways. One is from appropriations that are given to departments that they don't spend. The other is from generating revenues over and above what you budgeted.

Alderman Guinta asked so we're \$1.6 right no under in revenues, but we're certainly not generating additional revenues, we trying to catch up and we've got 2 ½ months to do it. So when did we meet last time to discuss this, two weeks ago?

Ms. Shaffer replied three weeks ago.

Alderman Guinta asked are we not in a situation where the level of concern has increased to the point where we need to address this with the department heads? I mean we're not going to meet our revenue projections, which means one way that we get our carryover is just gone. The other way and I don't know if that carryover number includes this \$1.6 million, I don't know is it called the deficit at this point or is it?

Ms. Shaffer replied its shortfall.

Mr. Sherman stated the \$1.3 would be based on last year's ending numbers. You won't get...if we wait until we get the audited numbers and that's then what you have available to use for the next year.

Alderman Guinta stated so the current budget situation does not affect the carryover number.

Mr. Sherman answered correct.

Alderman Guinta continued so the current...what happens if we don't have enough money in the kitty at the end of the year?

Ms. Shaffer replied these are accounting type of numbers so you're not really talking cash.

Mr. Sherman added what we're still anticipating is that the revenue shortfall, which again we think is going to be less than this by the time we get to the end...

Alderman Guinta asked so you think we're going to have a revenue shortfall? It's going to be less than this number, but you think we're going to have one.

Mr. Sherman replied right. I think you're still OK.

Alderman Guinta asked so based...my question is, so based on that, what are the options we have, so we don't have a shortfall?

Mr. Sherman responded well the first thing we look at is what we're going to get back from the departments on the appropriation side...

Alderman Guinta stated but we don't know that until after the fiscal year closes.

Mr. Sherman replied no a lot of the departments have a good idea what they're going to have left over. Now not unlike school they'd like to spend it, on occasion the library will come in and say gee I've got \$70,000 left in salaries can I spend \$25,000 on books, and the Mayor does those types of things. But the departments at this point are starting to get a good handle on what they think they might have. So the first thing is, is we look at that to see if that offsets the revenue shortfall. In FY '02...

Alderman Guinta asked when do we get that information from the department heads? You said they have a pretty good idea.

Mr. Sherman responded actually they were asked a couple of weeks ago to give an indication.

Mr. Clougherty interjected as I said earlier we're tracking on the expense side what the activity is, and we think that there's going to be deficient, you know activity there given back to the City to offset again. And we...

Alderman Guinta asked to offset 100 percent?

Mr. Sherman replied I still think that we're OK there.

Alderman Guinta stated you said that last time...I'm keeping a record of this because if, you know, I voiced my concerns three weeks ago, unless I'm reading it wrong it looks like we're really, we're cutting it close. And that's a concern to me. I mean for example...let's just do a hypothetical: say it balances out. We exceed...we don't...we have enough from the departments and we increase our revenues a little bit and somehow we come out even, next year what's the carryover number? This is now going to affect next year's carryover number.

Mr. Sherman replied this would now affect next year's carryover, but then again the ordinance that we have, in essence taking that million three and what the ordinance says is you can use one half of that balance. So we've taken the one half and that's what's in the Mayor's budget numbers.

Mr. Clougherty added you have a stabilization account that has half...

Mr. Sherman stated right now we have the other half, an equivalent amount that could be used for the '05 numbers, so we don't...

Alderman Guinta stated that's not my question. My question is if we break even at the end of this fiscal year, is there...what would be the carryover balance?

Mr. Sherman responded it would be equal to what the Mayor has in this years budget, because we used one half of the available dollars.

Alderman Guinta asked so that's taking money out of the stabilization fund. Didn't we just...

Mr. Sherman replied no. Yes you set up a tax rate stabilization fund, that's the million three. The Mayor...

Alderman Guinta asked how much is the Mayor's?

Mr. Sherman replied roughly a million.

Alderman Guinta asked and when did we set that up?

Mr. Sherman replied last year.

Alderman Guinta asked so we're going to start pulling from that already?

Mr. Sherman answered yes. Those dollars are in there to be applied against the following years tax rate. So the Mayor took one half of those dollars and that's what he used. Next year if we don't add to that fund, what is available is the same exact amount that he used this year. We didn't add anything to it; we didn't take anything away from it. The other thing though that we do have is, that's if we end up even – excess appropriations equal the deficit on the revenue side. If the appropriations don't equal the revenue side, and in essence have a deficit this year, the difference between the shortfalls in the revenues and the appropriations comes out of the rainy day fund. So it gets us back up to that zero point. So again the tax rate stabilization account doesn't get hit. Again it would be the same amount that we have. The third thing we need to look at is the fact that we are carrying a fund balance too offset the school's deficit. So as the school deficit goes away, we can take part of that fund balance and

move it into the tax rate stabilization. So they're coming in and saying well we have an extra million dollars to reduce our deficit. Right now to offset that million-dollar deficit, we have a million-dollar fund balance. As that deficit goes away on their side that frees up a million dollars that gets moved in. You will actually be moving money into that tax rate stabilization even if you're at zero this year. And again, even if you below zero, because the revenue stabilization will cover it.

Mr. Clougherty added the revenue stabilization can always be used to make up the difference. If our shortfall on the revenue side is a million six, and we have appropriations \$800,000 less than, or spending \$800,000 less than appropriations, then the \$800,000 the million six leaves a difference of \$800,000 and that's what would hit the rainy day fund, not the \$1.6 million. That's what you need to bring in.

Alderman Guinta responded OK. It seems like to me we're shuffling numbers around. I mean I don't know how to describe it other than saying it sounds like we have a great potential to shuffle money from one account to another to pay for this, but the bottom line is we may be looking at taking money from a stabilization account or a rainy day fund. And that's possible. I want to know what can we do so one of those two things don't have to happen, which is what I talked about three weeks ago. I mean on one hand I hear you saying we're OK and we shouldn't have to...we shouldn't have to take any additional measures, but on the other hand I'm hearing there's a possibility we're going to have to hit one of those two accounts. And if I recall when we initially recreated the revenue stabilization account the idea wasn't to use it within one or two years, I thought the idea was to build up that account for farther into the future than two years down the road.

Mr. Sherman stated I think you might be confusing it though with...we set up three accounts at the same time when we did those ordinances last fall. One was for health insurance reserves, that one we're not even talking about. The other one was for the one-time revenues. We've put the civic center money in there, that one we're not talking about. The other one that we set up was the tax rate stabilization. That one was actually meant to be hit every year.

Alderman Guinta asked starting when?

Mr. Sherman replied starting with the '04 budget. Because we put money into it and again the way it said, it says you can use up to one half...

Alderman Guinta asked that was created when?

Mr. Sherman replied last fall.

Alderman Guinta responded and last fall our expectation was to use that in the immediate following fiscal year?

Mr. Sherman replied you would use it in the immediate year.

Alderman Guinta asked and that makes fiscal sense?

Mr. Clougherty and Mr. Sherman answered yes.

Mr. Sherman continued in essence if you had not passed that ordinance, the Mayor could have used the whole \$1.3. But by having that ordinance in place it restricted him to only be able to use half which what that prevents is next year if nothing else gets added to it, he still have an equivalent amount so you're tax rate doesn't fluctuate up and down.

Alderman Guinta stated I know we need to move on and I don't mean to simply this, but it sounds like we have an account that...I mean like everybody else I just did my taxes and I'm in a precarious situation, I think like most people. But what I don't do, well I've got \$500 bucks in this account and \$800 in this account, and \$700 in this account, it all adds X amount of dollars and that's what I'm using or for my incoming budget. So maybe I'm not grasping what we're talking about...I mean again what I'd like to do is find a way where we don't have to depend on these numbers. To me it sounds like OK...this is what it sounds like. We're sitting...someone's sitting in their room, in their office, well we're at 5 – 6 percent tax increase, well I can use...or 6.5 percent tax increase and I can use X amount from this account to bring it down to 5.5 or 5 ³/₄ and to me that doesn't sound like it's a fiscally responsible way of setting a budget.

Alderman Lopez stated just a clarification along with...even if we come in on target, or zero, whatever it is. That account that set up, that we set up last year, the Mayor still could take \$500,000 out of it. I mean that's the way it was set up so there's not need to way we're \$800,000 short or anything else because that's what that account is for, for lowering the tax rate.

Alderman Guinta said buy see my question is are we lowering the tax rate...I mean it's more of a philosophical question I think. Are we using that money to lower the tax rate, or are we using that money to fill a shortfall in the requirements set in the budget? There's a difference I think between those two things. There's two different approaches. There's an approach I want to fund these ten projects and I've got to pull five hundred out of that account to fund it, or the other approach is this is what we can afford and we're going to have to use some of that money to meet that financial goal. And I think there are two different ways of looking at it. I'm trying to figure out which way we're looking at it as a city.

Mr. Clougherty stated we have set up specific reserves, for specific purposes that can only be used under certain circumstances. And their all prudent and their all necessary because as we've explained to you the rainy day fund has a very particular purpose and we've been jealously guarding that because that purpose hasn't come along. When we set up, as Randy explained, the tax stabilization, what we're trying to do is to make sure that you didn't squander all of the fund balance that you had in a particular year, but built up a cushion so that you could use that. Understanding that we're in an economic environment where you are going use that over these next couple of years and that was Alderman Wihby's question when it was adopted. He asked me, you're saying that we may use it right away and the Mayor said yes, but that's just because of the economic times we're in. As you stick to the discipline and get out into better times, that's not going to be the case, that's just the luck of the draw right now.

Alderman Guinta stated I think you've answered my question and I think it's a philosophical difference and my position would be if we're in these economic times and we can't afford things, why not rather than go to a fund, why not just not spend.

Mr. Clougherty replied Alderman and that's a budget decision that the Aldermen can deal with. The Mayor has made in his proposal to you his philosophy how he wants to handle it, now that it's in your domain and as you start to go through his budget, we can work with you. And if the board decides that you want to take a different tact then that's certainly permissible too and prudent as well. The nice thing is, we're swinging the pendulum here rather than...

Chairman Shea stated my I suggest that, you know Alderman 3 had certain questions and maybe he could sit down with you and probably get that explanation a little bit clearer so that...

Alderman Guinta stated it's clearer, I mean I think we're just down to a philosophical difference in how to spend.

Mr. Clougherty stated and there's nothing that prevents you as the Board of Aldermen as part of your budget deliberations or the Mayor's budget, is taking a different tact and say we want to do something...we want to cut spending and use that.

Chairman Shea stated a couple of things I'd like to just add here is that in terms of the rainy day fund, we have how much in that account Kevin? Probably around \$9 million, \$8 million, whatever.

Mr. Sherman replied that's over \$9 million.

Chairman Shea added and that's a good point about five percent of what or so forth of our natural budget, is that is recommended?

Mr. Sherman stated the cap on it is five percent of your revenues.

Chairman Shea added right and we have about 7.5 now to...

Mr. Sherman stated no we're not at the cap now.

Mr. Clougherty stated your budget keeps going.

Chairman Shea stated the other point is that we're going to be sitting down I guess with COMCAST, which is the new company that is going to be in charge of the cable fees, and obviously there are certain types of negotiational matters that could be done, and I believe the Administration Committee possibly will be in charge of negotiating some sort of arrangement there which may or may not impact the cable fees here. But one has to realize that as you brought out Randy that if there is a negotiated settlement, obviously it goes back to the residential consumer that has to pay that, and that would come back to the City in the form of general funds. I'm not sure if there's any other questions Aldermen.

Alderman Lopez stated I have one fast question, just so...on the school charge back Randy or Kevin, when you balance out, let me give you an example, like in the Parks and Recreation there's \$36,999 short, right? OK, when you balance out at the end of the year and they haven't received that revenue from wherever, which is in the City most likely charge back, does that become a deficit to that department?

Mr. Sherman answered it all depends on whether, let's take Parks for example, if they budgeted \$100,000 to line fields, because events got cancelled, you got weather problems, whatever they only use \$70,000 of that budget to line fields. Their revenue is going to say \$100,000 but they're only going to collection \$70,000. The school's not going to pay them \$100,000 they're only going to pay them \$70,000. If the Parks Department then say, well I've got \$30,000 that I had anticipated using for school fields and goes and uses it someplace else, then in essence we're creating a deficit there. They've spent all their appropriate but their short on revenues. What some departments do is they say, no I budgeted, like health for example, I budgeted \$1 million for school nurses, due to turnover I'm only using \$900,000 this year, but doesn't spend that \$100,000 someplace else, he may be short \$100,000 on his revenues but he also turns back \$100,000 on his appropriations. And that's ultimately in the end we can look at that and say yes we're down on charge backs, but we're probably going to get a lot of that back from the departments because they're just not going to use it.

Chairman Shea asked any other questions for Randy, Joanne or Kevin.

Chairman Shea addressed Item 5 of the agenda:

Discussion regarding Riverfest.

Kevin Clougherty stated at the last meeting we had approached the board and said...and got some good feedback from the committee in terms of what you want us to do. So the Mayor and I met with Jane Beaulieu and Jane will, if she didn't meet at the end of last week she's going to be meeting this week with Roland Gamelin who is the previous head of Riverfest and they were going to work out an arrangement whereby the committee could continue, get rejuvenated, take a new direction and her inclination at the first time was not to request the write off of the dollars but to have time to get a group together to see how she could address that. So that's moving ahead in the direction I think the Committee wanted to go and we'll keep reporting back to you on progress on this.

Chairman Shea stated all right that's just for general information, Kevin, Randy and Joanne, is that what that is for Kevin?

Mr. Clougherty replied that's it.

Alderman Smith stated just in closing, I just want to thank the Finance Department. I've been over there several times and they've been very cooperative and they've given me all the figures I wanted. Thank you very much Mr. Chairman.

Chairman Shea stated and I echo that, they're doing a wonderful job.

There being no further business to come before the Committee, on motion of Alderman Lopez, duly seconded by Alderman Guinta, it was voted to adjourn.

A True Copy. Attest.

Clerk of Committee